



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204

Recinded
SP-01-04

Reply to
Attn. of: SP 94-C-6

NOV 8 1993

Subject: Use of School Food Service Account (SFSA) Funds for the Purchase of Foods of Minimal Nutritional Value - National School Lunch Program (NSLP) and School Breakfast Program (SBP).

To: STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas, Missouri ED,
(Special Nutrition Programs) Montana OPI, Nebraska ED, North Dakota,
South Dakota, Utah and Wyoming ED

This memorandum addresses limitations on the use of SFSA funds for the purchase of foods of minimal nutritional value. These foods are enumerated in Appendix B of Part 210 of the regulations, and include "soda" soft drinks, water ices, chewing gum and certain candies. Our guidance is intended to reconcile certain features of program financial accountability regulations regarding the use of SFSA funds with the actual scope of Federal regulatory authority regarding foods of minimal nutritional value. The areas in which State Agencies (SAs) and school food authorities (SFAs) have flexibility in these matters are also highlighted.

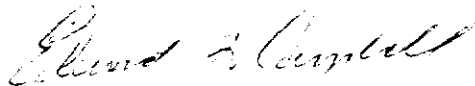
As part of program administration, each SA is required to establish a financial management system which prescribes the allowability of SFAs' nonprofit SFSA expenditures in accordance with program regulations (Part 210.19 (a) and Part 220.13 (i)) and 7 CFR 3015. In order to guide SAs in this task, the Food and Nutrition Service must determine, under OMB Circular A-87, whether certain costs which might be paid from a school's SFSA are "**necessary and reasonable**" to carry out the provisions School Nutrition Program grants.

SFSA funds, both Federal and non-Federal, are to be used to help support service of nutritious foods to children in the NSLP and SBP, in keeping with the legislative intent of these programs. The service of foods of minimal nutritional value to children is not consistent with this legislative intent, so the Agency does not consider purchase of such foods a "necessary and reasonable" expense of the SFSA in operating these programs. On the other hand, the scope of direct Federal regulatory authority to deal with these foods is limited to the food service area(s) during Program meal service(s), so the Agency's direct prohibition against the use of SFSA funds to purchase these foods extends only to their purchase for service in those places at those times (regulations already prohibit the sale of such foods at these times and in these places). Please note that it is not our intent that this prohibition be applied to minor quantities of foods of minimal nutritional value which are used in the preparation of dessert items offered with program meals and/or on an a la carte basis; e.g., certain candy products used to decorate cakes.

Apart from the above prohibition on the use of SFSA funds to purchase foods of minimal nutritional value, the Agency recognizes the potential benefits to our programs of having the sale and service of these foods under the control of school food service departments, for those times, and in those areas, where Federal regulations do not prohibit their sale. Current program regulations, subject to specific restrictions noted above, permit the following:

1. SAs and SFAs may establish their own rules to control or further restrict foods of minimal nutritional value (and competitive foods generally) sold in schools participating in the programs.
2. SFAs may conduct nonprogram food service operations and include these in the SFSA as long as these operations are principally for the benefit children. This means that SFSA funds may be used to purchase foods of minimal nutritional value for use in a nonprogram operation, subject to the same conditions applicable to other SFSA expenditures (see the second paragraph, above), and as long as these nonprogram activities are at least self-sustaining in expenditures and revenues.

Please call us if you have any questions.



ANN C. HECTOR
Regional Director
Special Nutrition Programs